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ABSTRACT

This paper, requested by the Senate Committee on the Budget, examines child care arrangements and federal programs that support day care and preschool activities. General information is provided to enable one to make an informed choice from among a variety of budgetary and legislative choices related to federal support and child care and preschool education. Chapter II describes current child care arrangements made by families and examines the major factors that affect those choices. The third chapter describes the current federal programs that support child care and preschool. Chapter IV focuses on child developmental issues, including an examination of the developmental impacts of current federal programs. The fifth chapter focuses on the labor force participation of mothers, including current trends in participation and the impact of child care on employment decisions. Finally, Chapter VI describes the costs and possible effects of a variety of changes to current federal child care policy. Included in this chapter is an analysis of the impact on child care services of the Administration's welfare reform proposal. (Author/MP)

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BACKGROUND PAPER

Childcare and Preschool: Options for Federal Support

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
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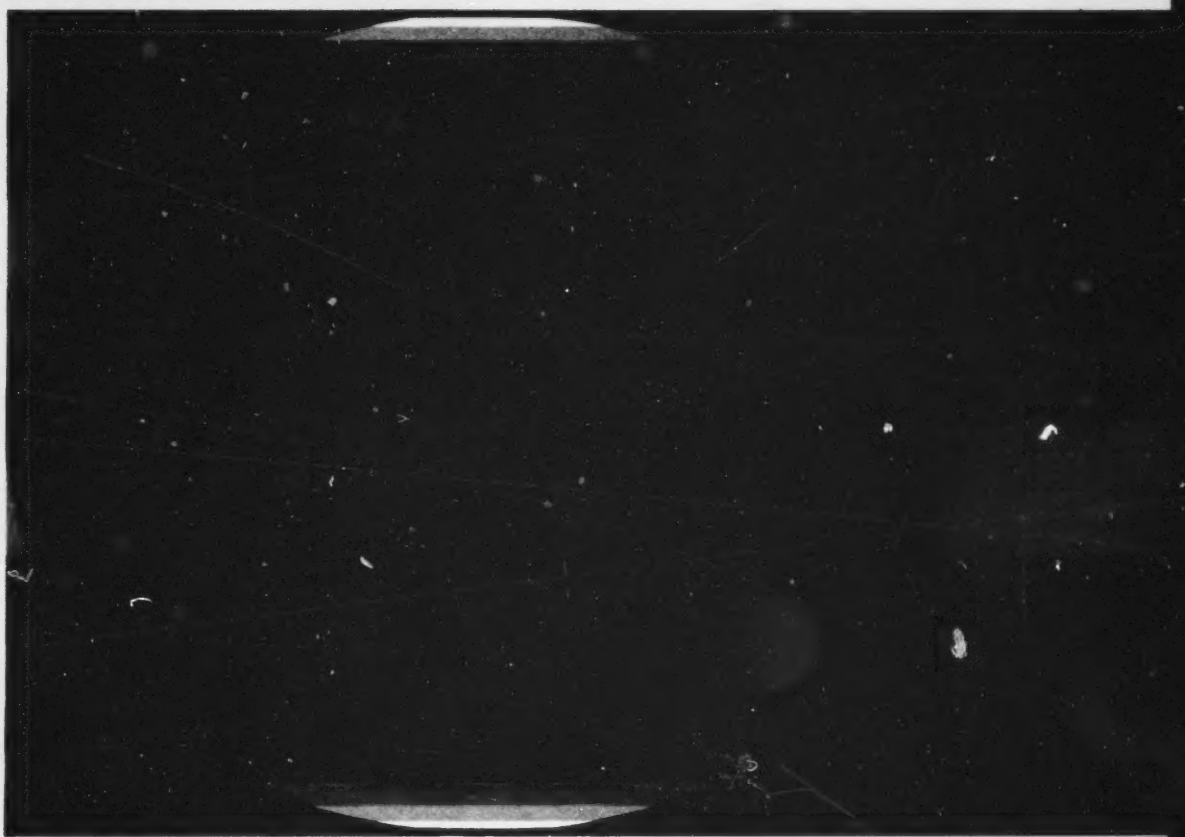

Congress of the United States
Congressional Budget Office
Washington, D.C.

PREFACE

In this session of the 95th Congress and during the next Congress, various pieces of legislation related to child care and preschool education will be examined by the Congress--reauthorization of the Head Start and compensatory preschool programs, legislation to increase social services grants to states, and new initiatives in day care services. This paper, requested by the Senate Committee on the Budget, examines child care arrangements and federal programs that support day care and preschool activities.

The paper was prepared by Steven Chadima with the assistance of Alan Fein, John Shiels, and Paul Warren under the supervision of Robert D. Reischauer and David S. Mundel. Special thanks go to Ann Carruthers, Toni Wright, and Martha Anne McIntosh for their production assistance. The author also wishes to thank those who reviewed early drafts, particularly Sonia Conley, Madeline Dowling, Pat Hawkins, G. William Hoagland, David A. Longanecker, Margaret Malone, Dick Roupp, Darla Schecter, and Allen Smith. The manuscript was edited by Robert L. Faherty.

In accordance with the Congressional Budget Office's mandate to provide objective and impartial analyses of budget issues, the paper contains no recommendations.

Alice M. Rivlin
Director

September 1978

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SUMMARY

The Congress faces a number of decisions concerning whether the federal role in the provision of day care and preschool services should be expanded. At present, the federal government provides more than $2.2 billion a year for child care services through a variety of direct and indirect mechanisms (see Summary Table 1). Though these programs are not coordinated in their efforts to provide services, direct spending programs are aimed largely at low- and moderate-income families, while tax expenditures are used largely by middle- and upper-income groups.

The largest amount of federal support is through social services grants to states (Title XX of the Social Security Act). Care is provided to about 800,000 children from low- and moderate-income families in day care centers and family-based arrangements subject to federal regulations. Another 350,000 low-income children are enrolled in Head Start, a comprehensive community-based preschool program that includes medical, nutritional, and social services for recipients. Approximately 2.7 million families also received tax credits for work-related child care expenses.

IMPACT OF CURRENT CHILD CARE PROGRAMS

The impact of various child care programs is far from certain. Among the unresolved questions that have bearing on federal policy are the following:

Does Day Care Facilitate Child Development?

Well-planned, comprehensive services can result in increased test scores of low-income children in the short run, and in fewer placements in remedial classes and a reduced need to repeat grades once the children are in school. Of the current federal programs, Head Start programs are those most likely to achieve these results. For middle-income children, high-quality day care programs appear to cause short-term test score gains for

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SUMMARY TABLE 1. FEDERAL FUNDS FOR CHILD CARE, FISCAL YEAR 1977: OBLIGATIONS IN MILLIONS OF DOLLARS

Program (Agency)	Number of Children Served (thousands)	Estimated Obligations for Child Care or Preschool
Title XX Social Services Grants to States--portion used for child care for low- and moderate-income families (HEW)	799	809
Head Start--comprehensive preschool for low-income children (HEW)	349	448
ESEA Title I--compensatory preschool and kindergarten for disadvantaged children (HEW) a/	367	136
Child Care Food Service Program (Agriculture)	580	120
AFDC--welfare benefit increases to subsidize work-related child care costs (HEW) b/	145	84
AFDC/WIN--child care services for welfare recipients participating in WIN (HEW) c/	85	57
Other Direct Programs	466	99
Child Care Tax Credit--20 percent of work-related expenses; limit of $400 for one child and $800 for two or more children (Treasury)	4,000	500
TOTAL		2,252

NOTE: Components do not add to total because of rounding.

SOURCE: Department of Health, Education, and Welfare (HEW) and Congressional Budget Office estimates.

a/ ESEA = Elementary and Secondary Education Act.

b/ AFDC = Aid to Families with Dependent Children.

c/ WIN = Work Incentive program.

participants over nonenrolling children, but these gains soon disappear.

Does Day Care Facilitate the Labor Force Participation of Women?

While many women undoubtedly find it easier to seek employment when day care is available, evidence that lack of day care opportunities inhibits a substantial number of women from seeking employment is weak at best. According to the 1975 Survey of Income and Education, conducted by the Census Bureau, most married women and female family heads who are not in the labor force do not want a job. Of the women who have children under six years old and are not in the labor force, only 3 percent of the wives and 11 percent of the female family heads are not looking for work because they cannot arrange adequate child care. The vast majority (82 percent) of the female family heads who feel constrained from seeking employment because of a lack of child care are from families with incomes under $5,000, though they represent only 5 percent of all female family heads with incomes under $5,000.

Does Subsidizing Child Care Reduce Welfare Dependency?

Subsidizing the child care costs of potential welfare recipients can reduce dependency if it either facilitates the labor force participation of these women or increases their disposable income net of child care costs. Researchers in several income-maintenance experiments have found that simply subsidizing child care is not sufficient to produce substantial increases in labor force participation. In addition, all recipients of Aid to Families with Dependent Children (AFDC) are currently eligible for free day care or full reimbursement of work-related day care expenses, though other characteristics of the welfare system may provide disincentives to work. In general, however, it is the lack of job opportunities and not child care that inhibits labor force participation. When the individual wants to work and a job is available, child care needs are taken care of. Some of the current programs do, however, increase disposable income. The Title XX and Head Start programs require little or no financial participation by the mother. This arrangement will automatically increase disposable income by the amount that would have been paid in child care expenses. The AFDC work-expense allowance

also increases income by reimbursing a recipient's child care expenses.

Can Federal Subsidies and Their Accompanying Regulations Improve the General Quality of Child Care?

At present, federal regulations apply only to subsidized, licensed forms of care (largely family day care homes and day care centers), but the majority of children are not involved in this type of care. For those children enrolled in centers receiving federal subsidies, federal standards have resulted in more comprehensive services and higher-quality care.

The current federal day care requirements (particularly child-staff ratios)--however "appropriate" they may be from the federal government's point of view--are perceived by some states as onerous. In some cases, states are "buying out" of the federal regulations by setting up their own child care programs with less stringent requirements and using Title XX funds for other social services currently being provided by state monies. In other cases, states are forcing AFDC recipients to utilize the work-expense allowance to purchase care on their own, rather than providing these women with services directly through Title XX, in order to avoid enforcement of standards.

ALTERNATIVES TO CURRENT POLICY

Additional child care services could be provided either by expanding current programs or by enacting new legislation (see Summary Table 2).

Expansion of Head Start to All Eligible Children. In 1978 Head Start services will reach about 24 percent of the eligible, low-income children. At current per-child spending levels, an additional $2 billion would be needed to serve the remaining 1.2 million children who qualify for services.

Expansion of Title XX. Expanding social services grants to states under Title XX could result in additional spending on child care. At present, however, only about 24 percent of Title XX matching funds are spent on child care. Though there is no assurance that these patterns will continue, if this same proportion of new funds were allocated to child care, an additional $1

SUMMARY TABLE 2. COSTS AND IMPACTS OF SELECTED ALTERNATIVES TO CURRENT FEDERAL CHILD CARE POLICIES

Option	Incremental Federal Cost (billions of dollars)	Change in Number of Children Served (millions)	Recipient Population	Targeted Mode of Care	Possible Developmental Effects
Expand Head Start to All Eligibles	2.0	1.2	Low-income	Comprehensive preschool	Positive if well planned
Expand Title XX	1.0	0.2	Low- and moderate-income	Licensed care	Modest
Expand Tax Credit	0.7	Uncertain	All except higher-income	At discretion of recipient	Low
Categorical Day Care/Preschool Initiative (3- and 4-year olds)	4-9	2-4	All income groups a/	Licensed care or preschool	Greatest effect among low-income children
Before- and After-School Care	3-6.5	7-19	All income groups a/	Schools	None intended

a/ These programs could be targeted on low- and middle-income families by adjusting fees according to the ability of parents to pay for services. Instituting such a fee schedule would reduce costs.

billion in federal monies, matched by $333 million in state funds, would provide licensed care meeting federal standards for an additional 240,000 children. Other social services would, of course, be expanded as well.

Expansion of Tax Expenditures. If the current tax credit of 20 percent of work-related child care expenses were expanded to 50 percent and benefits phased out for families with annual incomes between $30,000 and $50,000 (and eliminated entirely thereafter), substantial assistance could be targeted on moderate- and middle-income families. Additional assistance for families with the lowest incomes could be provided by making the credit refundable. If these actions were taken, the costs of the

credit would more than double, from about $500 million under current policy to about $1.2 billion, but they would do little to encourage either work or the purchase of higher-quality day care.

Categorical Child Care Initiative. A system of federally supported child care centers could be established. If such a program were geared to the needs of mothers working full time, medium-priced care could be provided for about $4 billion a year. If the program were available to all three- and four-year-olds through the public school system and were widely used, at least $9 billion would be required. Alternatively, a voucher scheme could be introduced, giving parents a greater choice among caregivers who meet governmental standards. Many parents would likely select less expensive family arrangements and thereby hold down the cost of the program. The same goals could be accomplished more simply, however, by expanding the tax credit and making it refundable, though one would likely forego governmental supervision of quality. Except in the case of low-income children, few long-lasting developmental benefits could be anticipated.

Before- and After-School Care. About one third of the 44 million school-age children in the United States have a mother who works full time. Only a small portion of these children participate in programs of supervised recreation or study before and after school hours during the school year. If such programs were directly funded by the federal government and were available only to 6- to 13-year-old children of mothers working full time, care for about 8 million children could be provided through expenditures of about $3 billion. If this program were more widely available to 6- to 13-year-olds, costs could run as high as $6.5 billion.

CHAPTER I. INTRODUCTION

Child care, and especially the role of the federal government in the provision of child care services, is an issue of continuing concern to the Congress. Several factors are acting simultaneously to focus attention on this issue. Mothers continue to enter the labor force in increasing numbers, and some are pressing for assistance in meeting their child care needs. In particular, poor women, who most often face the least lucrative employment opportunities, are limited in their choice of day care arrangements to those that cost them little or nothing. In addition, many states report that improvements in services necessary to meet federal standards would be costly, and the Congress has mandated a comprehensive study of the appropriateness of these guidelines.

The issue of the nature and extent of federal support for child care has been brought into the limelight once again by the President's welfare reform proposal. In acting on that legislation and related issues, the Congress will be deciding whether mothers of preschool- and school-aged children should be expected to work or to take care of their children, and if and how the government will subsidize their child care expenses if they volunteer to work when they are not expected to. The resolution of these issues will directly affect the shape of other child-related legislation.

The Focus of the Federal Debate

The child care and preschool debate over the last 15 years--and the legislation that has resulted from it--has centered around two major issues, the labor force participation of mothers and child development. Although these focal points are not mutually exclusive, the importance placed on one relative to the other has a substantial effect on the kinds of child care supported through budgetary and legislative decisions. Both issues are the subject of considerable research by social scientists, though current efforts provide only imperfect and approximate answers.

Labor Force Participation of Mothers. One goal of the proponents of widespread federal support for child care has been to facilitate the labor force participation of mothers. A major concern is whether there is a significant amount of work-related "unmet demand" for child care. That is, if more day care were available, even at current prices and in a variety of modes, would more mothers enter the labor force or expand their current hours of work? Further, if day care were more widely subsidized, would a significant number of mothers take advantage of it?

Child Development. The other major focus of the child care debate is the children themselves. The primary question is whether there are certain types of day care that can enhance the cognitive, emotional, and social development of participating children. If so, what are the most influential factors and which children are most likely to benefit? Federal policy is often predicated on a belief that child care which is oriented toward development can overcome the disadvantages of a home life that inadequately provides early educational experiences. To what degree is this true?

The current set of federal programs reflect varying degrees of emphasis on these two concerns. While each program has its own set of goals and few attempts are made to coordinate their services, they seem to be aimed at one or more of the following purposes:

- To increase the supply of child care;
- To improve the quality of care through the establishment of health, safety, and staffing standards;
- To improve the school performance of disadvantaged, low-income children through early exposure of both parent and child to educational experiences;
- To ease the burden for parents of financing child care;
- To facilitate the labor force participation of women, especially insofar as such participation promotes reduction in dependency on welfare.

This paper discusses current trends in formal and informal child care and the factors that affect families' use of these arrangements.

A Historical Perspective

Day care began in the United States in the 1830s with the establishment of day nurseries. These institutions were often aimed at immigrant children whose mothers needed to work. In addition to providing a more humane alternative to placing these children in orphanages or leaving them unattended during the long working day, the day nurseries provided a socializing experience for the children. Most of these institutions were philanthropic in nature, though some were also supported by parent fees. If governments became involved, they did so to reduce public expenses associated with institutionalizing these children.

The nursery school movement began just before World War I. These schools were privately financed, largely by middle-class parents who had an interest in providing early educational opportunities for their children. These institutions have grown in number since 1915, but their base of support and their goals remain largely the same.

During the 1930s, the first federal funding of day care centers was provided through the Works Progress Administration (WPA). WPA centers were initiated for two basic purposes: to provide employment opportunities for those on relief; and to provide child care for disadvantaged children.

Federal involvement expanded during World War II with the support of work-related day care centers. Centers were established to ease the participation of women in defense industries, and care was provided under this program to a total of approximately 600,000 children during the mid-1940s. When the war ended, however, the Congress reemphasized the principle that the primary role of mothers was caring for their children at home, and federal support for centers was withdrawn. In a few instances (most notably those of the State of California and the City of New York), state or local funds continued to support preschool and day care activities; by and large, however, centers simply closed for lack of support.

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The governmental support that exists today largely began in the 1960s and was aimed primarily at the low-income population. Amendments to the Social Security Act in 1962 and 1967 provided funds for child care for past, present, and potential welfare recipients. And, in 1964, the Economic Opportunity Act created Project Headstart, a comprehensive preschool program largely for children from disadvantaged backgrounds.

Plan of the Paper

This paper is designed to provide enough general information so that one can make an informed choice among a variety of budgetary and legislative choices related to federal support of child care and preschool education.

Chapter II describes current child care arrangements made by families and examines the major factors that affect those choices. The third chapter describes the current federal programs that support child care and preschool. Chapter IV focuses on child development issues, including an examination of the developmental impacts of current federal programs. The fifth chapter focuses on the labor force participation of mothers, including current trends in participation and the impact of child care on employment decisions. Finally, Chapter VI describes the costs and possible effects of a variety of changes to current federal child care policy. Included in this chapter is an analysis of the impact on child care services of the Administration's welfare reform proposal.

CHAPTER II. WHAT ARE THE CHILD CARE CHOICES THAT FAMILIES FACE, AND HOW DO THEY SELECT FROM AMONG THEM?

The public debate over the appropriateness of federal involvement in child care services has centered largely around the two issues of the development of children and the labor force participation of the mothers. Resulting legislation has been aimed at influencing these factors in a variety of ways. The "debate" at the family level--that is, the factors that most often enter into a family's decision about which type of child care to secure--often focuses on very different issues, many of which are well out of the reach of the federal government. This chapter reviews the choices that families face in child care; the factors that studies have revealed are the most important to families in their choice among the various modes of care; and the results of the selection process and how they vary according to race, income, and other family characteristics. 1/

1/ The trends and patterns reported here are derived from a number of studies examining child care arrangements over the last 12 years. In order to simplify the presentation of data, individual studies were selected based on their concise presentation of the information, their representativeness of the literature as a whole, and the recentness of the data to highlight particular trends. The most recent and comprehensive studies are: Unco, Inc., National Childcare Consumer Study: 1975, prepared for Department of Health, Education, and Welfare, Office of Child Development (1975); Abt Associates, National Day Care Study: Preliminary Findings and Their Implications, prepared for Department of Health, Education, and Welfare, Administration for Children, Youth, and Families, Day Care Division (January 31, 1978); and Richard L. Shortlidge, Jr., and Patricia Brito, "How Women Arrange for the Care of Their Children While They Work: A Study of Child Care Arrangements, Costs, and Preferences in 1971," The Ohio State University, Center for Human Resource Research (January, 1977). See also, Seth Low and Pearl G. Spindler, Child Care Arrangements of Working Mothers in the (continued)

WHAT ARE THE CHOICES THAT PARENTS FACE?

The first and most obvious choice that parents face in deciding on child care is whether to care for their children by themselves or to involve other individuals or institutions on more than a casual basis. Parents, in fact, still primarily care for their own children in their own homes, at least until the time their children are of preschool age. For the most part, this means the mother stays home to take care of the children while the father works.

This traditional model of childrearing is becoming increasingly less common, and parents who secure child care in order to work or to provide their children with an enriched early learning experience face a variety of choices. Many choose to leave their children in the care of relatives, either in their own homes or in the homes of their relatives, while others secure the services of nonrelatives in or out of the home.

Three more formal methods of child care are available to parents, though they are used far less frequently than the informal arrangements mentioned above. The most common, family day care homes, are homes in which an adult cares for usually six or less children. In many cases, the caretaker is a mother who takes care of her own children and two or three others. There are more than 100,000 family day care homes in the United States licensed by state agencies, and experts estimate that the number operating without a license is many times that amount. The licensed homes serve about 300,000 children. 2/

United States, prepared for Department of Health, Education, and Welfare, Children's Bureau, and Department of Labor, Women's Bureau (1965); Westinghouse Learning Corp. and Westat Research, Inc., Day Care Survey--1970, prepared for the Office of Economic Opportunity (1970); and Greg J. Duncan and James N. Morgan, eds., Five Thousand American Families--Patterns of Economic Progress, vol. III, University of Michigan, Institute for Social Research, Survey Research Center, Income Dynamics Panel Study (1975). Additional studies on day care centers and family day care homes have been funded by the Department of Health, Education, and Welfare, but they had not been completed when this report was written.

2/ Unpublished data from Abt Associates, Cambridge, Massachusetts, 1977 survey.

Arrangements are relatively low-cost and the homes are conveniently located, but the service can be interrupted by illness or change of plans of the operator.

Day care centers are much larger operations and are almost always licensed by state authorities who attempt to enforce minimum safety and health standards. There are approximately 18,300 day care centers in the United States, largely concentrated in urban and suburban areas; these centers serve about 900,000 children. Centers generally care for at least 12 children, some of whom attend for a full working day; they operate at least nine months of the year and often year-round. Most day care centers have an educational component to their daily schedule, though this may not be their primary focus. Preschools, on the other hand, are primarily aimed at improving school readiness. Children are generally enrolled on a part-day or part-week basis, though some do attend full-time. The number of preschools in the United States is not accurately known. Day care centers and preschools are relatively more expensive than other arrangements, but they provide regular, convenient hours and usually the assurance that adults will be there to provide care each working day.

HOW DO PARENTS SELECT CHILD CARE ARRANGEMENTS?

The concensus of a number of studies and considerable indirect evidence is that three factors are most important to parents in selecting child care arrangements: cost, location, and convenience of hours. Simply put, if the service is not within their price range, located near home or work, and open when they need it, parents do not seem interested.

Cost. In most families, there exists a threshold in child care costs beyond which it is more cost-effective for (generally) the mother to remain at home than to work. While most studies have found a direct relationship between income and spending on child care, the most convincing evidence has been provided by Shortlidge and Brito. In their recent analysis of 1971 data on working mothers, they reported that:

> . . . working mothers with children under six on average spent between one-sixth and one-fifth of their hourly earnings for the care of their children. This relative expenditure remained remarkably stable regardless of earnings, implying a direct relationship

between earnings and the absolute expenditures for child care. . . . [A] significant direct relationship between earnings and expenditures on child care was found for white women whose youngest child was under six and for black women whose youngest child was six to thirteen. 3/

Location. In the National Childcare Consumer Study, Unco found that about two-thirds of the parents who travel to a child care provider reported trips of less than 10 minutes. Only 6 percent reported traveling 30 minutes or more. Of the various arrangements, care in a nonrelative's home required the least amount of travel. Day care centers, on the other hand, were less likely to be located in the family's neighborhood; only half of center users reported trips of less than 10 minutes.

Other Factors. Secondary factors affecting parental choice include whether the caregiver will take children on days the children are sick, the caregiver's personal background, and the extent of educational program. In addition, some studies have suggested that a lack of information on available opportunities constrains parental choice, though this issue has not been well studied. The National Childcare Consumer Study did find, however, that parents expressed strong support for directing government funds toward information and referral services.

WHAT ARE THE RESULTS OF THE SELECTION PROCESS?

The interface of parents' preferences and the current supply of child care arrangements result in a distinct pattern of child care use in this country. In the end, daytime care in the United States is provided primarily by the parents of children in their own homes (see Table 1). When other arrangements are necessary, families most often seek the aid of relatives (either in the family's home or in that of the relative). Informal care, such as babysitting by nonrelatives or care in a family day care home, are used next most frequently. Finally, nursery schools, day care centers, and other formal means are the methods of care utilized least often.

3/ Shortlidge and Brito, "How Women Arrange for the Care of Their Children While They Work," p. 19.

TABLE 1. METHODS OF CARE FOR CHILDREN UNDER 14 YEARS OLD UTILIZED BY FAMILIES USING MORE THAN 10 HOURS OF NONPARENTAL CARE A WEEK AND BY ALL FAMILIES, 1975: PERCENT DISTRIBUTION

Method of Care	Households Using External Care	All Households
Care in Own Home by:		
Relative	22.5	14.0
Nonrelative	20.9	13.0
Care in Other Home by:		
Relative	27.2	17.0
Nonrelative	16.6	10.3
Other Arrangements:		
Nursery school	5.8	3.6
Day care center	3.6	2.3
Other	3.4	2.2
Subtotal	100.0	62.4
No External Arrangements over 10 Hours a Week	--	37.6
Total	100.0	100.0

NOTE: Components may not add to totals because of rounding.

SOURCE: Unco, Inc., National Childcare Consumer Study: 1975, prepared for Department of Health, Education, and Welfare, Office of Child Development (1975), vol. II, Table IV-2, p. 4-3.

Although that pattern of child care arrangements is characteristic of users in general, individual families depart considerably from the pattern for different reasons. The major factors affecting individual family arrangements that several researchers have noted are:

- o Race and ethnicity of the family;
- o Number of children in the family;
- o Marital and employment status of the mother;
- o Family income;
- o Number of hours of care used; and
- o Federal and state subsidies of particular modes of care.

Other factors, such as urban or rural residence and region of residence, have a much smaller effect; in combination with one of the above, however, they may influence the selection of type of care.

These data are simple observations by researchers; no analysis has been completed to date that combines these factors for both working and nonworking mothers and that attempts to assess the relative effects of each. For example, it has been noted that the race of the family seems to play a part in selecting care, as does family income. Race and income, however, are strongly correlated. If this relationship were accounted for in analyzing data, researchers might have found income to account for far more of the variation in care than race (or vice versa). Consequently, further research may find some of the factors to be less important than they appear.

Race and Ethnicity

Patterns of child care differ substantially among racial and ethnic groups. While care by relatives is the predominant mode among all groups, minority families--particularly Hispanics--are even more likely to use such arrangements (see Table 2). In 1975, 69 percent of Hispanic families indicated that their main method of care was using relatives (combining care in the

TABLE 2. MAIN METHOD OF CARE OF CHILDREN UNDER 14 BY RACE AND ETHNICITY, 1975: PERCENT DISTRIBUTION

Method of Care	Total	Non-Hispanic White	Non-Hispanic Black	Hispanic	Other
Care in Own Home by:					
Relative	24.7	23.9	24.5	30.5	33.9
Nonrelative	20.3	23.6	6.0	8.4	10.9
Subtotal	45.0	47.5	30.5	38.9	44.8
Care in Other Home by:					
Relative	26.5	25.7	31.6	38.4	12.7
Nonrelative	16.1	15.9	17.5	10.9	20.8
Subtotal	42.6	41.6	49.1	49.3	33.5
Other Arrangements:					
Nursery/preschool	5.6	5.0	9.5	4.0	6.0
Day care center	3.5	2.6	6.7	4.9	10.7
Cooperative program	0.9	0.9	0.3	0.3	3.2
Before/after school program	2.0	2.0	2.2	2.1	1.1
Head Start	0.4	0.3	1.3	0.7	0.6
Other	0.1	--	0.5	--	--
Subtotal	12.5	10.8	20.5	12.0	21.6
Total	100.0	100.0	100.0	100.0	100.0

NOTE: Components may not add to totals because of rounding.

SOURCE: Unco, Inc., National Childcare Consumer Study: 1975, vol. I, Table IV-24.

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child's home and in that of the relative), as compared with 50 percent of non-Hispanic whites.

The use of nonrelative care varies considerably among racial and ethnic groups. Whites are two to four times more likely than minority families to use care in their own home by nonrelatives as their main method. Nearly one-fourth of white families use such care for their children under 14, as compared with 6 percent of black families and 8 percent of Hispanic families. In contrast, minority families are more likely than whites to use institutional arrangements (day care centers and nursery schools) as their main method of care, most likely because of the correlation between race, income, and governmental subsidy.

Number of Children in the Family

Different sized families select different types of care (see Table 3). As might be expected, lower-priced forms of care are more often chosen by families with more than one child. In a 1971 survey, among white working mothers whose youngest child was under 6 years old, 29 percent of those with only one child chose in-home care, while 56 percent of those with two or more children under 14 chose in-home care. The proportions for black working mothers were 39 percent for one child and 48 percent for two or more children. Among both racial groups, combinations of family members, relatives, and nonrelatives were an increasingly important source of care as the number of children increased.

The presence of a child between 14 and 17 years old significantly alters child care patterns (see Table 4). In the same 1971 survey, Shortlidge and Brito found that, when there was no child in the family between 14 and 17, working mothers whose youngest child was less than 6 years old most often chose care outside the home (59 percent of the time for whites, 62 percent for blacks). But when the family included a child between 14 and 17, use of care outside the home dropped to 30 percent for whites and 33 percent for blacks. Older siblings became the main source of care used by 13 percent of white working mothers and 11 percent of black working mothers. Combinations of family members (including older siblings), relatives, and nonrelatives became the single most frequently used mode of care for these families with older children (24 percent of the time for whites, 27 percent for blacks). Only 13 percent of the white mothers and 20

TABLE 3. CHILD CARE ARRANGEMENTS OF WORKING MOTHERS WHOSE YOUNGEST CHILD IS LESS THAN 6 YEARS OLD BY RACE AND NUMBER OF CHILDREN UNDER 14 YEARS OLD IN THE HOUSEHOLD, 1971: PERCENT DISTRIBUTION

Method of Care	White		Black	
	One child	Two or more children under 14	One child	Two or more children under 14
Care in Own Home by:				
Parents or self	10	18	7	9
Older sibling	1	5	2	5
Other relative	10	8	21	15
Nonrelative	6	9	3	3
Combination a/	2	16	6	16
Subtotal	29	56	39	48
Care in Other Home by:				
Relative	19	13	35	21
Nonrelative	34	16	17	9
Subtotal	53	29	52	30
Other Arrangements:				
Day care center	13	5	7	19
Mother at work	3	3	2	2
Other	2	8	1	2
Subtotal	18	16	10	23
Total	100	100	100	100

NOTE: Components may not add to totals because of rounding.

SOURCE: Richard L. Shortlidge, Jr., and Patricia Brito, "How Women Arrange for the Care of Their Children While They Work: A Study of Child Care Arrangements, Costs, and Preferences in 1971," The Ohio State University, Center for Human Resource Research (January 1977), Tables 2-12.

a/ Includes combinations of family members and of relatives and nonrelatives.

TABLE 4. CHILD CARE ARRANGEMENTS OF WORKING MOTHERS WHOSE YOUNGEST CHILD IS LESS THAN 6 YEARS OLD BY RACE AND PRESENCE OF A CHILD 14 TO 17 YEARS OLD IN THE HOUSEHOLD, 1971: PERCENT DISTRIBUTION

Method of Care	White		Black	
	No child 14-17	Child 14-17	No child 14-17	Child 14-17
Care in Own Home by:				
Parent or self	13	21	7	13
Older sibling	1	13	1	11
Other relative	10	5	18	13
Nonrelative	8	8	3	3
Combination a/	9	24	9	27
Subtotal	41	71	38	67
Care in Other Home by:				
Relative	17	2	32	6
Nonrelative	26	7	13	8
Subtotal	43	9	45	14
Other Arrangements:				
Day care center	9	8	14	15
Mother at work	3	3	2	0
Other	4	10	1	4
Subtotal	16	21	17	19
Total	100	100	100	100
Proportion of Sample Within Racial Group	87	13	80	20

NOTE: Components may not add to totals because of rounding.

SOURCE: Shortlidge and Brito, "How Women Arrange for the Care of Their Children While They Work," Tables 2-12.

a/ Includes combinations of family members and of relatives and nonrelatives.

percent of the black mothers in this sample, however, had both a child under 6 years old and another between 14 and 17 years old.

Marital and Employment Status of Mother

The marital and employment status of the mother appear to affect the type of care chosen by the family (see Table 5). Single employed mothers are nearly twice as likely to use day care centers and nursery schools or preschools as are employed wives (29 percent as compared with 15 percent). On the other hand, employed wives are more likely to use home-based care than are employed single mothers. In both cases, care by the parent(s) becomes the predominant mode when no one in the family is employed.

Family Income

As family income rises, higher-priced care is more frequently used (see Table 6). The 1975 National Childcare Consumer Study found that the proportion of families using in-home care as their primary arrangement changed very little with increases in income, though the proportions provided by relatives and nonrelatives shifted dramatically. Among families with incomes below poverty, only about 10 percent used in-home care by a nonrelative, as compared with almost one-fourth of those with incomes at twice the poverty level or higher. Conversely, in-home care by relatives accounted for nearly one-third of the care in families living in poverty but for only about one-fifth of the care in families whose incomes were above twice the poverty level.

Similar trends occurred in the use of day care centers and nursery schools. Families below the poverty level and families with incomes above twice the poverty level were about twice as likely to use these modes of care as were "moderate" income families. Among families with incomes below the poverty level, however, day care centers were used about twice as often as nursery schools, whereas the reverse was true among families with incomes above twice the poverty level. These differences may be attributable to two factors: governmental subsidies are targeted on the poor and often restrict their choices to licensed arrangements such as day care centers; and wealthier families are more likely to label a given institution a "nursery

TABLE 5. MAIN METHOD OF CHILD CARE FOR HOUSEHOLDS WITH CHILDREN LESS THAN SIX YEARS OLD BY MARITAL AND EMPLOYMENT STATUS OF PARENTS, 1975: PERCENT DISTRIBUTION a/

Method of Care	Single-Parent Households		Two-Parent Households		
	Parent employed	Parent unemployed	Both employed	One employed	Both not employed
Care in Own Home by:					
Parent or self	6.6	43.7	13.2	28.6	56.5
Other relative	20.6	17.0	10.8	18.2	9.5
Nonrelative	8.7	8.6	17.5	19.5	4.9
Subtotal	35.9	69.3	41.5	66.3	70.9
Care in Other Home by:					
Relative	12.6	18.3	19.6	21.0	19.4
Nonrelative	19.7	4.0	22.1	6.0	1.0
Subtotal	32.3	22.3	41.7	27.0	20.4
Other Arrangements:					
Nursery school	13.0	3.4	9.1	4.5	4.5
Day care center	15.5	1.7	6.1	0.5	2.3
Head Start	0.5	3.0	0.1	0.3	0.4
Before/after school program	2.2	0.2	0.3	0.5	0.0
Cooperative program	0.7	0.0	1.1	1.1	1.4
Subtotal	31.9	8.3	16.7	6.9	8.6
Total	100.0	100.0	100.0	100.0	100.0

NOTE: Components may not add to totals because of rounding.

SOURCE: Unco, Inc., National Childcare Consumer Study: 1975, vol. II, Table X-1.

a/ The household may also include children older than six.

TABLE 6. MAIN METHOD OF CHILD CARE FOR HOUSEHOLDS BY POVERTY STATUS, 1975: PERCENT DISTRIBUTION

Method of Care	Below Poverty	Poverty to 200% Poverty	Over 200% Poverty
Care in Own Home by:			
Relative	32.5	30.0	21.4
Nonrelative	9.7	15.1	23.6
Subtotal	42.2	45.1	45.0
Care in Other Home by:			
Relative	27.5	33.6	24.1
Nonrelative	13.3	13.5	17.1
Subtotal	40.8	47.1	41.2
Other Arrangements:			
Nursery or preschool	3.8	2.6	6.7
Day care center	7.6	2.8	3.3
Head Start	2.7	0.6	--
Before/after school program	2.7	1.3	2.2
Cooperative program	--	0.5	1.3
Other	0.1	--	0.2
Subtotal	16.9	7.8	13.7

NOTE: Components may not add to totals because of rounding.

SOURCE: Unco, Inc., National Childcare Consumer Study: 1975, vol. 1, Table IV-22.

school" than a day care center, even though no substantial difference between the two may exist.

Hours of Care

Differences in type of care have also been noted for substantial users when compared with more casual users (see Table 7). Children who receive 30 or more hours of care a week are more likely to be cared for in a nursery school or day care center or in the home of a nonrelative than are those who receive less than 30 hours a week. These three methods of care accounted for more than 55 percent of the arrangements made by heavy users but for only 25 percent of those using just 10 or more hours a week. Care is arranged in the child's own home far less frequently when 30 or more hours of care are used.

As a result, the average number of hours a week spent in each of the various forms of care differs substantially (see Table 8). Those involved in home-based care (either in the child's own home or in that of a relative or nonrelative) spend an average of just over 9 hours a week in that setting. In contrast, those enrolled in nursery schools or preschools spend an average of 18 hours a week there, and those in day care centers are there an average of 28 hours a week.

Federal and State Subsidies of Particular Modes of Care

Direct governmental subsidies of child care expenses are channeled primarily toward the two major types of formal care: day care centers and licensed family day care homes. As a result, eligible families (largely low- and moderate-income) are encouraged to use care that is more expensive than other forms of care and that, in the absence of subsidies, they would most likely not be able to afford.

The preferences of those administering the governmental programs have often led to an emphasis on day care centers rather than family-based care. About 55 percent of federally subsidized children are enrolled in centers, while 25 percent are in family or group day care homes (the remainder are provided care in their own homes). In contrast, only about 9 percent of all children who use some form of care for more than 10 hours a

TABLE 7. CHILD CARE ARRANGEMENTS FOR CHILDREN LESS THAN SIX YEARS OLD BY HOURS OF CARE PER WEEK, 1975: PERCENT DISTRIBUTION

Method of Care	10 or More Hours a Week	30 or More Hours a Week
Care in Own Home by:		
Relative	23.0	14.4
Nonrelative	22.8	9.0
Subtotal	45.8	23.4
Care in Other Home by:		
Relative	26.4	21.3
Nonrelative	13.0	25.5
Subtotal	39.4	46.8
Other Arrangements:		
Nursery school	8.1	16.6
Day care center	3.9	13.3
Other	2.8	a/
Subtotal	14.8	29.9
Total	100.0	100.0

NOTE: Components may not add to totals because of rounding.

SOURCE: CBO analysis of data from Unco, Inc., National Childcare Consumer Study: 1975.

a/ Less than 1 percent.

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TABLE 8. AVERAGE HOURS OF CARE A WEEK FOR CHILDREN USING AT LEAST ONE HOUR, BY METHOD OF CARE a/

Method of Care	Average Hours
Care in Own Home by:	
Relative	8.6
Nonrelative	7.5
Care in Other Home by:	
Relative	9.7
Nonrelative	11.8
Other Arrangements:	
Nursery or preschool	17.9
Day care center	28.3
Head Start	21.3
Before/after school program	5.7
Cooperative program	6.6
Average for All Methods	16.1

SOURCE: Unco, Inc., National Child Care Consumer Study: 1975, vol.1, Table IV-30.

a/ Includes multiple answers.

week are enrolled in either a day care center or a nursery school, while almost all of the remainder are cared for in a family- or home-based setting.

As a result, the impact of federal subsidies on centers is considerable. About 44 percent of the day care centers in the United States enroll children through whom they receive governmental subsidies (largely federal). These centers are sometimes called "FFP centers" (federal financial participation). FFP centers enroll about 75 percent of the low-income children

who use centers and about 60 percent of all black children in center care. About 55 percent of the children in FFP centers receive full or partial subsidies; these children represent about one-fourth of all those enrolled in day care centers.

The impact of subsidies on family-based care is far less substantial. Governmental regulations limit the choice of those who receive subsidies to licensed forms of care, and the vast majority of family day care (about 90 percent) is not licensed. The number being cared for by their mother or father or another relative at the same time that parent or relative was also caring for other unrelated children (that is, operating a family day care home) is not known, but it would surely send the total in care not eligible for governmental subsidy much higher.

CHAPTER III. HOW DOES THE FEDERAL GOVERNMENT CURRENTLY SUPPORT CHILD CARE AND PRESCHOOL EDUCATION?

The federal government currently supports child care through a variety of direct and indirect expenditures. In fiscal year 1977 (the latest year for which data on all programs are available), about 2.8 million children were served in direct programs costing the federal government approximately $1.8 billion, and care for another 4 million children was subsidized through tax expenditures of about $500 million (see Table 9).

Direct expenditures are geared largely toward increasing the supply and quality of one particular mode of child care (licensed day care or preschool), and they are aimed at one particular segment of the population (the poor or near-poor). Tax expenditures, on the other hand, are aimed primarily at easing the burden of financing services, but the selection of mode of care (and the inherent responsibility of monitoring quality) is left to the consumer. Because of the nature of the tax credit (it is nonrefundable) and the structure of the tax system (on average, four-person families with incomes below $7,500 in 1977 did not pay federal income taxes), the credit is largely of use to middle- and upper-income families. These patterns are illustrated in Table 10.

More than 90 percent of the direct federal support for child care and preschool is provided through six programs: Title XX of the Social Security Act; the Head Start program; the Child Care Food Service Program; Title I of the Elementary and Secondary Education Act (ESEA); the Aid to Families with Dependent Children (AFDC) program; and the Work Incentive (WIN) program. One tax expenditure--a tax credit for work-related child care expenses--provides nearly all of the indirect federal subsidies.

Social Services Grants (SSA Title XX)

The largest program of direct support for child care services is Title XX of the Social Security Act (SSA). Each year, $2.7 billion is provided to states to support social services

TABLE 9. ESTIMATES OF FUNDING FOR FEDERAL CHILD CARE PROGRAMS, FISCAL YEAR 1977 a/

Agency/Program	Federal Obligations (millions of dollars)	Children Served b/ (thousands)	Federal Cost per Child c/ (dollars)	Matching State/Local Contributions (millions of dollars)
Department of Agriculture				
Child Care Food Service Program	120.0	580	207	None required
Appalachian Regional Commission	9.3	47	197	N/A d/
Community Services Administration				
Community Action Agency Program	2.5	N/A	N/A	1.2
Department of Health, Education, and Welfare e/				
SSA, Title IV-A, Social Services	--	--	--	--
SSA, Title XX, Social Services	808.6	799	1,013	269.5
SSA, Title IV-A, AFDC Work Expense Allowance (Child Care)	84.4 f/	145	582	71.6
SSA, Title IV-A, WIN	57.1	85	672	5.7
SSA, Title IV-B, Child Welfare	4.7	19	247	62.6
Head Start	447.6	349	1,283	89.5
ESEA, Title I, Preschool and Kindergarten Programs	136.0	367	371	None required
ESEA, Title I-A (Supplement), Migrants	14.4	38	382	None required

(Continued)

TABLE 9. (Continued)

Agency/Program	Federal Obligations (millions of dollars)	Children Served b/ (thousands)	Federal Cost per Child c/ (dollars)	Matching State/Local Contributions (millions of dollars)
ESEA, Title VI-B, Education for the Handicapped State Grant Program	7.7	260	30	None required
ESEA, Title VI-C, Early Education for the Handicapped	14.0	14	1,000	1.4
HEW Total	1,574.5	2,075	759	500.3
Department of Housing and Urban Development				
Community Development Block Grant Entitlement Program	42.7	85	500	None required
Department of Interior				
Bureau of Indian Affairs				
Kindergarten program	2.7	2	1,125	None required
Parent-child development program	0.7	g/	2,222	None required
BIA Total	3.4	3	1,244	
Small Business Administration	N/A	N/A	N/A	None required
Department of Treasury (Tax Expenditures)	500.0	4,000	125	None required
TOTAL	2,252.4	6,790	332	501.5

(Continued)

NOTE: Components may not add to totals because of rounding.

TABLE 9. (Continued)

SOURCES: Department of Health, Education, and Welfare; Treasury Department; and Congressional Budget Office.

a/ Expenditures for the following are excluded even though some may provide full- or part-day child care:

- Grants for training educational and/or day care personnel;
- Research and development funds;
- Administrative grants;
- Health program funds for children;
- Summer programs for teenagers;
- Programs for teenagers before and after school (Neighborhood Youth Corps, Department of Interior recreation programs);
- Grants to school systems for postkindergarten children;
- Parent training and home intervention programs (for example, Department of Agriculture extension programs for improved family living). Preschool programs are included.

b/ Federal cost per child is an average computed by dividing federal obligations by number of children. Total average cost is underestimated because recipient data are not available for several programs.

c/ Numbers of children served are estimated in various ways and include unidentifiable combinations of full- and part-day care as well as full- and part-year variations.

d/ N/A = Not available.

e/ SSA = Social Security Administration; WIN = Work Incentive program; ESEA = Elementary and Secondary Education Act.

f/ Recent detailed examination of expenditures in selected states has revealed consistent underestimation of the amount of Aid to Families with Dependent Children (AFDC) benefit increases because of child care cost reimbursements. As a result, these figures may be substantially lower than is currently true.

g/ Fewer than 500.

TABLE 10. PERCENTAGE DISTRIBUTION OF BENEFITS FROM DIRECT SPENDING PROGRAMS AND TAX EXPENDITURES FOR CHILD CARE BY ANNUAL INCOME, 1977

Annual Income	Direct Spending Programs	Tax Expenditures
0-5,000	60	1
5,000-10,000	25	13
10,000-15,000	12	19
15,000-20,000	3	24
20,000-30,000	-	33
30,000-50,000	-	8
Over 50,000	-	2
Total	100	100

SOURCE: Congressional Budget Office and Treasury Department estimates.

to families living in or near poverty. 1/ One of the uses to which these funds may be put is child care. The Department of Health, Education, and Welfare (HEW) estimates that in fiscal year 1977 about $800 million of the $2.7 billion was used for child care services.

Child care services funded by Title XX may be purchased by the states through local welfare agencies or from other sources. Included among those providing services are licensed

1/ At present, $2.5 billion is provided to the states on a 75 percent matching basis for use in funding social services. An additional $200 million is provided on a nonmatching basis, primarily for the purpose of child care. Legislation to increase the Title XX ceiling to include this latter expenditure is pending.

day care centers and family day care homes. Approximately 11 percent of total child care funds are used to purchase services from profit-making centers. All facilities are required to meet the standards set forth in the Federal Interagency Day Care Requirements (FIDCR); some of these standards, however, have been suspended from implementation and enforcement pending a study of their appropriateness (see separate discussion below). In general, some fee must be charged for these services if the family's income exceeds 80 percent of the state median for the particular sized family in question (fees may be charged for families with lower incomes), and no subsidy may be provided if the family's income exceeds 115 percent of the appropriate state median. During the quarter ending September 1976 (the latest for which data are available), approximately 526,000 children received day care services through Title XX. Because of the manner in which these figures are reported to the federal government, it is uncertain exactly how long children are in care and, therefore, very difficult to estimate the total number of children who receive services in any given year. HEW has offered a preliminary estimate that about 800,000 children receive day care services each year, though this estimate may prove to be substantially lower than what actually occurs.

Head Start

Head Start is a comprehensive preschool program that includes medical, nutritional, and social services for recipient children, largely from low-income families. Ten percent of the enrollment slots are made available to handicapped children. The public and private nonprofit agencies that administer the programs are required to support 20 percent of the costs from nonfederal sources (including contributions); the annual Head Start appropriation provides the remaining 80 percent. In fiscal year 1977, the federal appropriation totaled $475 million. Because of the comprehensiveness of services offered and the levels of services mandated by the regulations implementing the program, Head Start is the most expensive major federal education program on a per child basis. HEW's Administration on Children, Youth and Families estimates that the average full-year Head Start program spent $1,505 per child in fiscal year 1977. Approximately 349,000 children were served through all parts of the Head Start program.

Child Care Food Service Program

The Child Care Food Service Program, operated by the Department of Agriculture, provides cash and donated food commodities to child care institutions to serve meals to children in their care. Any licensed public or private, nonprofit child care provider is entitled to receive reimbursement for meals served. The amount of the reimbursement varies with the meal served and the family income of the child. Children from families with incomes below 125 percent of the Secretary of Agriculture's poverty guidelines are eligible for free meals; those between 125 and 195 percent of the poverty guidelines, for reduced price meals; and those above 195 percent of the poverty guidelines, for "paid" meals (in fact, a small subsidy). 2/ Current reimbursement rates range from 6.25 cents for each snack served to a child from a family with income above 195 percent of poverty to 98.5 cents for each lunch or supper served to a child whose family income is below 125 percent of poverty. In fiscal year 1977, approximately 580,000 children were served by this program.

Preschool Compensatory Education (ESEA Title I)

Title I of the Elementary and Secondary Education Act provides grants to local educational agencies (LEAs) for supplementary compensatory education services for children in disadvantaged areas. The allocation of funds to states and local agencies and the selection of particular schools as "Title I schools" are based on the number of children in the district or county from families below or near the poverty level (or by some closely related and approved measure). The selection of individual children to receive compensatory services within Title I schools is based on the student's academic skills and is independent of his family's income. The Office of Education estimates that about 8 percent of the children served by Title I funds (approximately 367,000) were enrolled in preschool or kindergarten.

2/ In his 1979 budget, the President proposed not to increase the level of reimbursement for meals for children in families with incomes above 195 percent of poverty. Savings of $16 million were anticipated.

AFDC Work Expense Allowance (SSA Title IV-A)

Another source of indirect expenditures for child care is the Aid to Families with Dependent Children program. Under the provisions of the AFDC program, when the states compute the income of an applicant in order to determine eligibility for benefits, expenses necessary to allow the applicant to find employment (such as child care) may be deducted in their entirety from actual income earned. Benefits are based on income net of work expenses. For those who do not receive free child care services under Title XX but who decide to purchase child care on their own, this deduction provides the reimbursement of those expenses. HEW estimates that in fiscal year 1977 approximately $84 million was expended under AFDC for this provision and that 145,000 children were served.

Child Care Services for WIN Recipients

The Work Incentive (WIN) program is a job placement and training assistance program for welfare recipients jointly administered by the Departments of Labor and HEW. As a condition of eligibility for AFDC, all persons must register for WIN unless they are exempt by law. Included among those exempt are single mothers of children under six years of age. For those individuals required to register for WIN and for those exempt persons who volunteer, states are required to provide child care and other services that are necessary in order to allow the individual to accept a job; more than one-third of the WIN budget is devoted to those services. In fiscal year 1977, about $57 million of these funds was expended on child care for approximately 85,000 children.

Tax Expenditures

The U.S. Tax Code provides for subsidies for child and dependent care services by allowing a tax credit of up to $800 a year for child care expenses. A related provision, which allows five-year amortization of child care facilities, encourages the construction of these facilities by employers. The revenue loss associated with these provisions is expected to be about $500 million in fiscal year 1977.

Credit for Dependent Care Expenses. Taxpayers may claim a credit against tax equal to 20 percent of dependent care expenses up to $2,000 for one dependent and $4,000 for two or more dependents. The credit may not exceed the amount of the taxpayer's income tax liability (that is, it is not refundable). To be eligible for the credit, the taxpayer must maintain a household for a dependent child under 15 years of age (or certain other individuals). The expenses must be incurred to enable the taxpayer and spouse to work or attend school. The credit can be claimed for payments made to relatives only if the relatives are not dependents of the taxpayer and if their services constitute employment for social security purposes. In calendar year 1976 (the only period for which actual data are available), 2.7 million taxpayers claimed dependent care credits averaging $170. The actual number of children whose care was subsidized through this credit is not known, though at least 4 million were likely served.

Amortization of Child Care Facilities. Instead of depreciating child care facilities over their useful life, employers may amortize them over a five-year period. Rapid amortization is applicable to facilities used solely for the care of children of employees of the taxpayer and cannot be used for multi-purpose facilities. With rapid amortization, employers can receive tax deductions earlier in the life of the asset than is allowed under other forms of depreciation. This permits tax payments to be postponed for a number of years, in effect providing an interest-free loan from the Treasury to the employer.

Although the provision for rapid amortization was begun as an incentive for employers to create child care facilities for the use of their employees, it has not been widely used. In part, this is because businesses are not permitted to claim both rapid amortization and the investment tax credit. As a result, they often find it to their advantage to forego rapid amortization in favor of regular depreciation and the investment tax credit. In addition, employers have found that providing day care is not economically feasible unless they have large numbers of employees willing to use the facilities. The savings to employers provided by amortization alone is apparently not sufficient to encourage large numbers to provide child care services for their employees.

CHAPTER IV. WHAT IS KNOWN OF THE DEVELOPMENTAL EFFECTS OF CHILD CARE?

A major focus of the child care debate has been the effects on the development of children and the appropriateness of various federal attempts to influence the quality of child care. In recent years, evidence has emerged that some day care experiences can have positive, long-term effects on certain children, but that some of strategies used by the federal government may not be the most effective. The impact of current federal efforts follows a brief discussion of major research studies.

MAJOR STUDIES

The major studies of the developmental effects on children of nonparental care have focused on group day care and have centered on three major areas: cognitive or intellectual development; emotional development (specifically, the attachment between mother and child); and social development and motivation. 1/

Cognitive Development

A wide variety of research has been completed in the last 15 years on the intellectual development of children in day care settings. The overwhelming majority of these studies have examined costly, well-planned, university-based programs that are not representative of day care offered in the United States. Nonetheless, some important conclusions can be drawn from this work.

1/ A comprehensive bibliography of studies in these three areas accompanies a review of that literature by Urie Bronfenbrenner in the appendix of Toward a National Policy for Children and Families, National Academy of Sciences, National Research Council, Assembly of Behavioral and Social Sciences, Advisory Committee on Child Development, Washington, D.C., 1976.

Studies that examined middle-class children largely from intact families have found day care experiences, even in highly enriched environments, to have little effect on the cognitive development of their enrollees. These studies most often examine short-term effects using standardized intelligence tests. In addition, there is no strong evidence that any one type of curriculum is any more effective than another with these middle-class children (again, using standardized intelligence tests to measure "success").

In contrast, there is considerable evidence that well-planned day care and preschool programs can have a substantial positive effect on the development and experiences of children from low-income families. In September 1977, the Administration on Children, Youth and Families published the findings of a consortium of 14 separate preschool experiments, some begun in the late 1950s and early 1960s. The experimenters, headed by Irving Lazar of Cornell University, pooled much of their data gathered over some 15 years and, in addition, collected common follow-up data in 1976-1977, when their subjects ranged in age from 9 to 18 years. They report:

- "Infant and preschool services improve the ability of low-income children to meet the minimal requirements of the schools they enter. This effect can be manifested in either a reduced probability of being assigned to special education classes or a reduced probability of being held back in grade. Either reduction constitutes a substantial cost reduction for the school system."

- "Low-income adolescents who received early education rate their competence in school higher than comparable adolescents who did not have preschool education."

- "As measured by the Stanford-Binet and the WISC tests, preschool programs produce a significant increase in the intellectual functioning of low-income children at least during the critical years of the primary grades in school." 3/

3/ Irving Lazar and others, The Persistence of Preschool Effects: A Long-Term Follow-Up of Fourteen Infant and Preschool
(Continued)

In addition, they concluded that:

- The characteristics of the most effective programs (those that included to some degree a home visit) lead them to support the hypothesis that increased parental sensitivity to their children's education may have played an important role in reducing the rate of assignment to special education and retention in grade.

- The evidence to date does not suggest that there is a "magic age" at which intervention should begin nor a known optimal length of intervention.

- ". . . the failure to require a deliberate, well-planned curriculum for young children in federally supported day care programs is likely to cost more money in later special education expenditures than would be saved in day care costs." 4/

- "The tendency to adopt uniform policies and philosophies in districts mitigates against the capacity of many school districts to be responsive to individual and subcultural needs in the way a fifteen-child Head Start site can. Until further research data are available, it would seem imprudent to assign either day care or Head Start responsibilities solely to school districts in general." 5/

Not all day care experiences are as well planned and carefully executed as were the ones performed by the Lazar consortium. In a recent report to HEW's Office of the Assistant Secretary for Planning and Evaluation, researchers Bronfenbrenner, Belsky, and Steinberg conclude:

Experiments, Education Commission of the States, The Consortium on Developmental Continuity, final report to the Department of Health, Education, and Welfare, Administration on Children, Youth and Families (September 1977), p. 107.

4/ Ibid., p. 109.

5/ Ibid.

> The effects on the child's intellectual development of day care that is not of high quality remains unknown. The statement applies to all forms of care including center care, family day care, or care by someone other than a parent in the child's own home. 6/

Emotional Development

Most of the research on the effects of group care on the emotional development of children has centered on mother-child attachment. Because of several widely read studies on institutionalized children published in the 1940s and 1950s, many hypothesized that periods of separation of a child from his or her mother, particularly at an early age, would adversely affect the child's emotional development. Again, most of these experiments were performed in settings (in this case, laboratories) that were not representative of the real world, and they may only partially describe the effects of various home and center experiences.

Taken collectively, the studies of this area are ambivalent and inconclusive. Some studies have found center care to affect emotional development negatively, some have found the effects to be neutral, and some have found center care to have a positive effect. It appears that neither a positive nor a negative conclusion is warranted. In this area, too, little is known about the emotional effects of poor quality care or in-home care.

Social Development

A number of studies have found significant effects of day care on the social development of children. 7/ While many of

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6/ U. Bronfenbrenner, J. Belsky, and L. Steinberg, "Day Care in Context: An Econological Perspective on Research and Public Policy," prepared at Cornell University for the Department of Health, Education, and Welfare, Office of the Assistant Secretary for Planning and Evaluation (December 1976), p. 13.

7/ See bibliography by Bronfenbrenner in Toward a National Policy for Children and Families.

these studies are methodologically flawed, certain conclusions emerge from them. Children with group care experience before the age of five exhibit greater interaction with their peers than children who were raised exclusively at home. But this interaction is both positive and negative; children with group care experience were more inclined to socialize with other children and also more likely to display aggressive behavior toward their peers. In contrast, children reared at home appeared to interact more easily with adults than with their peers and to be somewhat more respectful of authority.

These phenomena may be culture-bound, however. Bronfenbrenner, Belsky, and Steinberg note that:

> Such outcomes [aggressive behavior], however, do not appear to be characteristics of day care programs in other countries, nor of all centers studied in the United States. Rather, they seem to be products of certain kinds of program emphases more common in this nation than elsewhere and reflect the special character of children's peer groups in America, which are distinguished by a stress on autonomy, individualism, freedom of expression, competition, and permissiveness toward and encouragement of interpersonal aggression. 8/

THE EFFECTS OF FEDERAL EFFORTS TO IMPROVE QUALITY

The federal government attempts to improve the quality of child care services in the United States in two major ways. First, programs funded by the federal government (in particular, Title XX of the Social Security Act and Head Start) are subject to considerable regulation. And second, day care center operators are eligible to receive subsidies for meals served to improve the health of the enrolled children.

Title XX

Under the Title XX program, operators of family day care homes and day care centers who receive federal subsidies are

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8/ Bronfenbrenner, Belsky, and Steinberg, "Day Care in Context," p. 15.

required to meet the Federal Interagency Day Care Requirements (FIDCR). Among the most controversial aspects of the FIDCR are the staffing requirements (see Table 11). These requirements, which specify the maximum number of children allowed per staff member, are aimed at insuring adequate quality of care for enrollees but are generally more stringent than those required by state law or regulation. Some parts of the FIDCR, including the child-staff ratios for preschool-aged children, have been suspended from implementation pending a review of their appropriateness; the findings of the review are anticipated in 1978.

TABLE 11. CHILD CARE CENTER STAFFING REQUIREMENTS UNDER LAW AND REGULATION

Age of Child	Maximum Number of Children per Staff Member	Source of Requirement
Under 6 Weeks	1	Required by regulation
6 Weeks to 3 Years	4	Required by regulation
3 to 4 Years	5	Required by law
4 to 6 Years	7	Required by law
6 to 9 Years	15	Maximum allowed by law a/
10 to 14 Years	20	Maximum allowed by law a/

a/ The Secretary of Health, Education, and Welfare may lower the maximum number of children per staff member, thus increasing the staff required.

Important implications for the nature of federal standards have emerged from preliminary findings of the National Day Care Study prepared by Abt Associates for HEW. 9/ While pointing out that child-staff ratios should not be abandoned altogether, the study indicates that the size of the group in which preschoolers are cared for has a greater developmental effect than small variations in the ratio of children to staff. For example, they point out that "groups of 12-14 children with two caregivers

had, on the average, better outcomes than groups of 24-28 children with four caregivers." 10/ In addition, the study notes that the number of years of formal schooling or experience of the caregivers, by itself, had little discernible effect on child development. The Abt researchers note, however, that "caregiver specialization in child-related fields such as developmental psychology, early childhood education or special education was associated with distinctive patterns of caregiver behavior and with higher gains in test scores for children." 11/ For infant children, they found that child-staff ratios and caregiver qualifications were important factors in maximizing developmental effects.

Because many states indicated that they would be unable to meet the FIDCR standards without additional financial assistance, $200 million in new Title XX monies were made available to the states in fiscal years 1977 and 1978 without state matching required and to be used principally for child care. These funds were provided primarily to help the states upgrade day care staffing to meet the FIDCR standards and to encourage the employment of welfare mothers in day care centers. In a recent unpublished paper for HEW, the Urban Institute concluded, based on the opinions of regional Title XX staff, that only 20 states and the District of Columbia are spending all their additional funds on child care services and that another 20 states, representing nearly 60 percent of the total services provided, may not be using even the majority of their funds for child care. Funds have been spent on other social services or have been employed in a fiscal shell game in which these nonmatched funds replaced previously allocated matching monies (75 percent federal, 25 percent state) for child care.

One reason that some states are not using all their additional Title XX funds for child care may be that it is not particularly clear that the funds are needed to bring staffing in

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9/ Abt Associates, National Day Care Study, Preliminary Findings and Their Implications, prepared for the Department of Health, Education, and Welfare, Administration for Children, Youth and Families, Day Care Division (January 31, 1978).

10/ Ibid., p. 13.

11/ Ibid., p. 14.

centers up to federal standards. Researchers at Abt Associates, who recently completed a comprehensive study of day care centers for the Department of Health, Education, and Welfare, estimate that only about $33 million would be needed to bring actual child-staff ratios in line with FIDCR standards. 12/ Because of data from this survey, HEW personnel were able to reevaluate earlier estimates that led, in part, to the enactment of the additional $200 million in child care funds. They found that because assumptions (now known to be erroneous) had to be made about conditions in states in which no data existed at the time, the amount of funds necessary to bring federally subsidized centers up to FIDCR standards may have been considerably overstated.

In addition to its influence on staffing standards, the federal government seems to have had an effect on other aspects of day care center operations (some of which are also covered by the FIDCR). In their recent examination of day care centers, Abt Associates found that those centers which receive some governmental assistance (largely federal) by serving eligible children offer more services (such as health diagnostic care), have more transportation services, and have more parental involvement in staffing and budgeting decisions than other types of centers. 13/ The costs per child in subsidized centers averaged $168 a month in 1976-1977, compared with $119 a month in unsubsidized nonprofit centers and $103 a month in unsubsidized profit-making centers.

12/ Abt Associates' estimate is based on current staffing and expenditure patterns in the states and is independent of federal involvement in child care services. At present, the Title XX distribution formula spreads social services funds evenly across the country, whereas the need for additional funds to meet standards may be concentrated in certain areas. If the present formula were used, considerably more than $33 million would be needed to channel enough funds to those states that are furthest from meeting FIDCR standards.

13/ Ibid.

Head Start

Guidelines for the Head Start program are even more comprehensive than those for Title XX. Head Start programs are to include a full range of early childhood services, including health and nutritional as well as educational components. A recent review of research on Head Start by the Social Research Group at the George Washington University arrived at conclusions similar to those reported by the Lazar consortium for other cognitively oriented preschool programs for disadvantaged children. The review of Head Start research found:

- The majority of studies showed improvement in performance on standardized tests of intelligence or general ability.

- Studies reported that Head Start participants performed equal to or better than their peers when they began regular school and they experienced fewer grade retentions and special class placements. 14/

The review also found that no one approach to Head Start produced better gains than another, except that achievement gains were not found among children who had participated in a program for only a short period of time.

Child Care Food Service Program

The Child Care Food Service Program has not been evaluated for its effectiveness in improving the health of preschool-age children. A related program, the National School Lunch program, was the subject of a recent report by the General Accounting Office (GAO). In that report, GAO concludes:

> Although studies show that the school lunch, when paired with a nutritional supplement or with the school breakfast, can affect the nutritional levels of schoolchildren, their findings about how the lunch itself

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14/ Ada Jo Mann, Adele Harrell, and Maure Hurt, Jr., A Review of Head Start Research Since 1969, George Washington University, Social Research Group (December 1976), p. 5.

affects nutritionally deprived and nutritionally adequate participants are inconclusive.

Although the type A lunch appears to be effective in increasing food consumption, GAO is not convinced that it is the best choice for a nutritional standard. The absence of any indication that the program is having a net benefit on the health of either needy or nonneedy children raises questions about the nutritional value of the lunch. 15/

15/ General Accounting Office, The National School Lunch Program --Is It Working? Report to the Congress by the Comptroller General of the United States, PAD-77-6 (July 26, 1977), p. iii.

CHAPTER V. DO DAY CARE OPPORTUNITIES HAVE A MEASURABLE IMPACT ON LABOR FORCE PARTICIPATION?

One of the most frequently expressed reasons for federal child care assistance, whether through tax credits or through the various direct spending programs, is to facilitate the labor force participation of women. Some of these subsidies (the tax credit, the allowance for child care expenses under AFDC, and the free child care provided under WIN) are only available to those who work. Following a discussion of recent trends in family size and structure and in the labor force participation of mothers, recent data on the effects of child care availability on the decision to work are reviewed.

DEMOGRAPHIC TRENDS

Two trends in the characteristics of families have been affecting child care in the United States most strongly: the diminishing size and changing structure of the family unit, and the growing labor force participation of mothers. In general, when mothers are absent from the home for employment reasons, other sources of care must be found, particularly for children younger than school age. The size and structure of the family often affects the mother's decision to enter the labor force. If there are a large number of children who must be cared for while the mother works, particularly if that care must be paid for, it is often not cost-effective for mothers to work. Other factors, such as mobility, affect a family's ability to secure free or in-kind care for children, though to a lesser extent.

Size and Structure of Families

In recent decades, the size of the typical family in the United States has been steadily decreasing. In 1960, the average number of children per family with children was 2.33; by 1976, the number had dropped to 2.04. This change has placed two conflicting pressures on the care of children: having fewer children places less pressure on mothers to be at home for

a large number of years, and makes paid care less costly per family when such care is desired; but it also reduces the number of older children who have often assisted in the care of their younger siblings.

The number of single-parent families headed by women has risen sharply in recent years (women head more than 90 percent of single-parent families). Three forces, working simultaneously, have produced this increase. First, the divorce rate has risen dramatically in the past two decades. In 1960, the number of divorces per 1,000 persons in the population was 2.2; by 1976, it had climbed to 5.0. Second, the rate of remarriage among men traditionally has been higher than among women. And third, courts more often award custody of children to mothers than to fathers in divorce proceedings.

Labor Force Participation of Mothers

The number and proportion of mothers participating in the labor force has been changing dramatically in the past quarter century. In 1950, just over one-fifth of the mothers with children under 18 years of age were in the labor force; by 1978, over half were (see Table 12). The largest proportional increases in labor force participation have occurred among mothers with children under 6 years old. Between 1950 and 1978, the participation rate of mothers with children only between 6 and 17 years old increased 82 percent, while the rate among mothers with children under 6 more than tripled (from 14 percent in 1950 to 44 percent in 1978).

Labor force participation varies considerably depending on the age of the children and the marital status of the mother (see Table 13). As might be expected, participation is lowest among married women with children under 3 years of age (38 percent in 1978) and highest among single mothers with children between 6 and 17 years old (71 percent in 1978). The largest proportional increases between 1970 and 1978 occurred among married women with children under 3 years old, whose rate of participation increased from 26 percent to 38 percent.

TABLE 12. LABOR FORCE PARTICIPATION RATES OF MOTHERS, SELECTED YEARS: IN PERCENT a/

Year	All Mothers	Mothers with Children under 6 Years	Mothers with Children 6 to 17 Years
1950	22	14	33
1960	30	20	43
1964	34	25	46
1967	38	29	49
1970	42	32	52
1973	44	34	53
1976	49	40	56
1978	53	44	60

SOURCE: Department of Labor.

a/ Data apply only to women who have been married at some time during their lives.

DAY CARE AND LABOR FORCE PARTICIPATION

One of the most controversial questions in the child care debate has been the degree to which child care opportunities influence the employment decisions of mothers. Unless day care services are available at the work site (a rare occurrence), mothers who decide to seek employment must make some arrangement for the care of their children. Although each family faces a different set of alternative arrangements, depending on where they live and work, in most cases some form of care is secured. To be sure, many families would like more varied and less expensive alternatives than they now have. But the question remains, given the current structure of the day care market, are mothers inhibited from participating in the labor force? Unfortunately, very few studies of this question have been undertaken. The small amount of data that do exist, however, do not indicate such an effect.

The strongest suggestion that lack of day care opportunities inhibits the labor force participation of women was found among

TABLE 13. MOTHERS IN THE LABOR FORCE BY MARITAL STATUS AND AGE OF CHILDREN, MARCH 1970 AND 1978 a/

Marital Status and Age of Children	Number (in thousands) 1970	Number (in thousands) 1978	As Percent of Women in Respective Population 1970	As Percent of Women in Respective Population 1978
Mothers with Children under 18 Years				
Married, husband present	10,203	12,469	39.7	50.2
Widowed, divorced, or separated	1,919	3,202	60.6	67.7
Total	12,122	15,671	42.0	53.0
Mothers with Children 6 to 17 Years Only				
Married, husband present	6,289	7,829	49.2	57.2
Widowed, divorced, or separated	1,278	2,293	67.3	71.3
Total	7,567	10,122	51.5	59.9
Mothers with Children under 6 Years b/				
Married, husband present	3,914	4,640	30.3	41.6
Widowed, divorced, or separated	641	909	50.7	60.0
Total	4,555	5,549	32.2	43.8
Mothers with Children 3 to 5 Years (None under 3) b/				
Married, husband present	1,934	2,082	37.0	47.9
Widowed, divorced, or separated	347	518	58.8	63.9
Total	2,281	2,600	39.2	50.4
Mothers with Children under 3 Years b/				
Married, husband present	1,980	2,558	25.6	37.6
Widowed, divorced, or separated	294	392	43.6	55.5
Total	2,274	2,949	27.3	39.3

SOURCE: Department of Labor

a/ Includes only mothers 16 years of age and over who have been married at some time during their lives.

b/ May also have older children.

women responding to a National Longitudinal Survey in 1971. In that survey, women who were out of the labor force in 1971 were asked if they would be willing to seek employment if free day care centers were available to them. Among those women with children under six years old, 17 percent of the whites and 50 percent of the blacks responded positively. 1/ While the black mothers in the sample were largely from low-income families, the whites were not. If a program such as that supported by Title XX were expanded, most of the white women responding positively to this question would not be eligible for heavily subsidized care. In addition, since this question was a hypothetical one, actual responses may differ substantially from those indicated here.

In the Survey of Income and Education, taken in the spring of 1976 (for incomes in 1975), women who were not in the labor force were asked to indicate why they were not; one possible response was "can't arrange child care" (see Tables 14 and 15). Among married women with children under 14 years old, the vast majority (about 84 percent) responded that they were not in the labor force because they did not want a job. Another 11 percent said that they wanted a job but were not looking because of personal reasons (such as family responsibilities or ill health). Only 3 percent of those with children under 6 and 2 percent of those with children 6-14 years old said that they wanted a job but were not looking because they could not arrange child care.

About 70 percent of the married women wanting to work who could not find care for their children were in families with incomes between $5,000 and $15,000, or what might be called "lower-middle income" families. (In 1975, the federal government's official poverty-level income for a nonfarm family of four was $5,500; the median family income for husband-wife families with children in the Survey of Income and Education was $16,426.)

Among female heads of families, the picture was quite different, though the percentage who were not looking for a job because of child care problems remained quite small. Nearly two-thirds of the female family heads who had children under 14

1/ Richard L. Shortlidge, Jr., The Hypothetical Labor Market Response of Black and White Women to a National Program of Free Day Care Centers, Ohio State University, Center for Human Resources Research (August 1977), Table 1.

TABLE 14. REASONS FOR WOMEN NOT PARTICIPATING IN LABOR FORCE, 1975: PERCENT DISTRIBUTION

	Total Not in Labor Force (thousands)	Does Not Want Job	Wants Job--Reasons for Not Looking a/			
			Work-related b/	Can't arrange child care	Personal c/	Other/ don't know
With Children under 6						
Wives	6,540	89.0	1.5	3.1	10.0	2.1
Female heads of families	820	62.5	6.0	11.8	20.4	5.2
With Children 6-14 Only						
Wives	7,789	83.9	2.2	1.9	11.1	2.4
Female heads of families	1,075	66.9	6.6	6.2	21.0	4.0

SOURCE: Congressional Budget Office tabulations from the Survey of Income and Education.

a/ Includes multiple responses.

b/ Work-related reasons include: believes no work available in line of work or area; couldn't find any work; lacks necessary schooling, training, skills, or experience; and employers think too young or too old.

c/ Personal reasons include: family responsibilities; in school or other training; ill health or physical disability; and other personal handicap in finding job.

TABLE 15. FAMILY INCOMES OF WOMEN NOT LOOKING FOR WORK BECAUSE THEY CANNOT ARRANGE CHILD CARE, 1975: PERCENT DISTRIBUTION

	U.S. Total (thousands)	Family Income						
		Under $5,000	$5000-10,000	$10,000-15,000	$15,000-20,000	$20,000-25,000	$25,000-30,000	Over $30,000
With Children under 6								
Wives	203	10.8	35.8	36.1	9.9	3.8	1.2	2.4
Female heads of families	97	86.4	13.2	0.5	--	--	--	--
With Children 6-14 Only								
Wives	146	5.3	29.6	39.5	11.4	7.6	1.8	4.7
Female heads of families	67	76.6	22.4	1.0	--	--	--	--

NOTE: Components may not add to totals because of rounding.

SOURCE: Congressional Budget Office tabulations from the Survey of Income and Education.

years old and were not in the labor force said they did not want a job. Another 20 percent said they were not looking for a job for personal reasons. About 12 percent of those with children under 6 years old and 6 percent of those with children 6-14 said they were prevented from working because they could not arrange child care.

The vast majority (about 82 percent) of the female family heads who could not work because they were unable to arrange child care had incomes under $5,000. An even greater proportion (>2 percent) were AFDC recipients, all of whom are eligible for child care subsidies of one sort or another. Because of this latter fact, it is uncertain how accurate a picture these responses paint of the constraints imposed by lack of child care opportunities on the labor force participation of female family heads.

The particular case of low-income mothers has been examined in three income-maintenance experiments (Seattle, Washington; Denver, Colorado; and Gary, Indiana). In the Seattle and Denver experiments, researchers found that child care subsidies had some small effect on the type of care chosen by mothers. Only the formal methods (or market forms) of care were eligible for subsidies, and the expected shift toward those modes was observed. Mothers largely preferred informal types of care, however, much the same as at present. In reference to the experiments' effects on the labor force participation of women, the researchers concluded:

> Because the utilization of market care is positively associated with earnings of the female head, child care programs which subsidize market care are regressive in nature and tend to conflict with the redistributive objectives of other social programs. We conclude from this result that subsidizing child care is neither an efficient, nor an equitable means for increasing women's participation in the labor market. 2/

Researchers generally observed a similar pattern of use of child

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2/ Mordecai Kurz, Philip Robins, and Robert Spiegelman, A Study of the Demand for Child Care by Working Mothers, Stanford Research Institute, Center for the Study of Welfare Policy, Research Memorandum 27 (August 1975), p. viii.

care subsidies in the Gary experiment, though flaws in the experimental design and the small sample size limit the validity and usefulness of their conclusions. 3/

3/ See Lois B. Shaw, The Subsidized Child Care Program, The Gary Income Maintenance Experiment, Initial Findings Report, Indiana University Northwest (October 1976).

CHAPTER VI. WHAT ARE SOME ALTERNATIVES TO CURRENT POLICY?

A wide variety of child care alternatives have been considered (and actions taken) in recent years, largely because of the diversity of concerns expressed by those attempting to shape the course of federal involvement in day care and preschool. Some proponents are concerned primarily about the quality of child care available in the United States and encourage the expansion of federally regulated programs that emphasize licensed family day care homes and day care centers. Others point to the repeatedly observed parental preference for inexpensive, nearby family care and encourage bolstering the current collection of individual caretakers through technical assistance for them and referral and information services for parents. Still others are concerned primarily about working mothers, particularly those with school-aged children, and support the establishment of before- and after-school care programs. And finally, some are concerned largely with simplifying federal assistance and emphasize the ways in which federal subsidies are distributed over the care actually provided.

A number of directions the Congress could take to alter or expand day care and preschool opportunities are examined in this chapter. None of these are necessarily representative of legislation that may have been introduced in the 95th Congress (with the exception of the Administration's welfare reform proposal), but they are examples of the variety of ways to satisfy concerns that have been expressed.

Five alternatives, some of which may be pursued in combination, are examined; three are modifications of current programs and their funding levels, and two are new initiatives:

- Expansion of Head Start to all eligible children.
- Expansion of Title XX funding,
- Expansion of the tax credit,

- o New categorical day care/preschool initiative, and

- o New before- and after-school care program.

In addition, the effects of the Administration's welfare reform and jobs creation program are examined. Table 16 summarizes the costs and effects of each alternative. All cost figures are in 1978 dollars.

MODIFICATIONS OF CURRENT PROGRAMS AND FUNDING LEVELS

Current federal direct expenditure programs are aimed primarily at children from low-income families while tax expenditures largely assist middle- and upper-income groups. The following three options involve expansions of or alterations to existing legislation.

Expansion of Head Start to All Eligible Children

In fiscal year 1978, the Head Start appropriation of $592 million for full-year and summer programs (excluding evaluation, research, and technical assistance) will provide services to approximately 391,000 children. This number represents about 24 percent of the eligible population of low-income children. At current per child spending levels ($1,604 in federal funds per child in a full-year program), an additional $2 billion would be needed to serve the remaining 1.2 million children who qualify for services. If such an option were pursued, it would be necessary to phase in full funding over a period of several years. During this expansion, some pressure to expand Title XX services would be alleviated, particularly if more Head Start programs operated on a full-day basis.

Despite recent findings that Head Start services may have been provided to some who did not qualify, this program is still the most heavily targeted of the options on low-income children. As indicated earlier, disadvantaged, low-income children are the group that has been shown to benefit most in improved school experiences from well-planned, comprehensive preschool services. To be sure, not all Head Start programs are as effective as those that have been examined in research projects. But the key elements to the Head Start program--comprehensive services, a diversity of community-based delivery sites

TABLE 16. COSTS AND IMPACTS OF ALTERNATIVES TO CURRENT FEDERAL CHILD CARE POLICIES

Option	Incremental Federal Cost (billions of dollars)	Change in Number of Children Served (millions)	Recipient Population	Targeted Mode of Care	Possible Developmental Effects
Expand Head Start to All Eligibles	2.0	1.2	Low-income	Comprehensive preschool	Positive if well planned
Expand Title XX	1.0	0.2	Low- and moderate income	Licensed care	Modest
Expand Tax Credit	0.7	Uncertain	All except higher-income	At discretion of recipient	Low
Categorical Day Care/ Preschool Initiative (3- and 4-year olds)	4-9	2-4	All income groups a/	Licensed care or preschool	Greatest effect among low-income children
Before- and After-School Care (6- to 13-year olds)	3-6.5	7-19	All income groups a/	Schools	None intended
Induced Effects of Welfare Reform	0	0-0.2	Low- and moderate-income	At discretion of recipient	Low

a/ These programs could be targeted on low- and middle-income families by adjusting fees according to the ability of parents to pay for services. Instituting such a fee schedule would reduce costs.

(including schools), and active parental involvement--are the same as those in the most effective experimental situations. There is no guarantee that an expanded Head Start program would dramatically alter the school experiences of new recipients, but its characteristics are far closer than those of any other federally supported program to what appears to work well from a developmental point of view.

Critics of the Head Start program often cite at least two reasons for curtailing its expansion. First, the program is costly. For each child served, the Head Start program spends more than half again as much as a Title XX day care program, for example. Consequently, enrollees receive more expensive services than middle-income families are often able to purchase on their own. And second, many object to isolating low-income children from their more affluent peers with whom they will share their later schooling. This latter effect could be minimized by expanding Head Start enrollments among children from moderate- and middle-income families, though such a move would be very costly if the goal of first serving low-income children were to be retained.

Expansion of Title XX

Child care opportunities could be expanded by increasing the ceiling on Title XX federal reimbursements. When the $2.5 billion maximum was first imposed in 1973, only 5 states expended enough of their own funds to use their total federal allotment. In fiscal year 1978, 31 states are at their ceilings. In fiscal year 1979, 43 states are expected to reach their ceilings and $2.45 billion of the $2.5 billion will be matched by the states. The additional $200 million currently available in nonmatching Title XX grants is fully utilized by the states.

In response to the concerns of many states that have been at their ceiling for some time and believe they are faced with cuts in social services expenditures without some federal relief, Representatives Donald H. Fraser and Martha Keys have introduced a bill (H.R. 10833) that would raise the Title XX ceiling to $2.9 billion in fiscal year 1979, to $3.15 billion in 1980, and to $3.45 billion in 1981. While these increases are greater than the anticipated inflation during the period, they

are intended partially to compensate for the real decrease in funds available to states that have been at their ceilings since the mid-1970s. These same states, however, have received considerable increases in funds from closely related federal grant programs, such as general revenue sharing, during that same period.

Because the use of Title XX funds is at the discretion of the states (within the broad limits imposed by the federal government), the effect on day care of expanding Title XX cannot be estimated with any degree of certainty. Some fiscal substitution is likely to occur. But, even if the states were to allocate funds in the same proportion as at present and no substitution occurred, only about 24 percent of the additional monies would go to child care programs. If the Title XX ceiling were to be raised by $1 billion, for example, and if the state were to come up with the full $333 million necessary to match that $1 billion, slightly less than $320 million additional would be spent on child care services and about 240,000 extra children would be served. Other social services would, of course, be expanded as well.

Most of the recipients of an expanded Title XX day care program would be children from families with low incomes; but through the increased use of graduated fee schedules as allowed under current law, services could be provided at partial subsidy to families with incomes as high as 115 percent of the state median. At present, however, federal officials generally believe that the states make little effort to ensure that those required fees are indeed collected.

Proponents of increased day care services cite the need for adequate care arrangements for an expanding workforce of mothers. While greater opportunities for care would undoubtedly be helpful, no evidence exists to determine the effect of the availability of care at a reduced price on the employment decisions of mothers. In addition, the Title XX program places substantial restrictions on the choices of participating mothers. The vast majority of families currently arrange for care in ways that are not eligible for Title XX subsidies (that is, in unlicensed care). To the degree that noneconomic considerations play a role in choosing less formal care arrangements, Title XX subsidies would do little to assist many of those who would nonetheless qualify for assistance based on their income.

Expansion of the Child Care Tax Credit

The use of paid forms of day care could also be encouraged by expanding the subsidies available through the tax system. The present 20 percent credit undoubtedly assists those who must secure care in order to work, but it is probably not much of an incentive either to work or to purchase high-quality care, and it is unavailable to those with lower incomes. In 1977, two-thirds of the tax expenditure funds went to families with incomes over $15,000.

Securing day care in centers or preschools can be an expensive proposition. The average cost of full-year care in a nonprofit facility subject to federal standards is more than $2,000 per child. If a woman took a minimum-wage job and had only one child to find care for, the costs of this arrangement would be more than 30 percent of her before-tax earnings. This proportion far exceeds the average amounts that women appear willing to spend from their earnings--that is, one-sixth to one-fifth of weekly earnings--even with the aid of the tax credit (if it were available to her). With two or more children needing care, more than half of her minimum-wage earnings would be taken by child care expenses if a day care center or preschool were chosen.

If the tax credit were expanded to half of work-related child care expenses, with benefits reduced or eliminated for families with high incomes, substantial assistance could be provided to moderate- and middle-income families. Improved targeting on those with greater need for assistance could also be provided by making the credit refundable. Benefits would still be available only to those who use child care in order to work, and the choice of type of care would be left to the parents. If, for example, a 50 percent refundable credit (subject to the current maximums) were made available to families in 1978 and benefits were phased out between family income levels of $30,000 and $50,000, the additional cost to the Treasury would be at least $700 million, more than doubling the current tax expenditure. Less aid would be provided to upper-income families, but assistance for lower- and middle-income families would be increased substantially. The degree to which families would alter their current patterns of child care is uncertain, however. It is unclear how many families would chose to switch arrangements in favor of those with programs oriented more toward development.

NEW INITIATIVES

It has been suggested recently that the federal government expand child care services to all children regardless of family income. Two examples are discussed here. The costs of these alternatives have been estimated on the assumption that services would be provided free of charge and that the federal government would be the sole source of funding. Both options, however, could clearly incorporate a fee structure that would phase out subsidies with increases in family income and thereby reduce the costs of the program. In addition, funds could be provided on a matching basis, thereby reducing federal costs.

A Categorical Day Care or Preschool Initiative

Day care or preschool opportunities for all three- and four-year-olds could be initiated by the federal government. At present, this age group comprises approximately 6 million children, about 2.6 million of whom are currently enrolled in a day care center or preschool. 1/ The degree to which those who do not now enroll their children would take advantage of these services would likely depend on the hours of care, the availability of irregularly scheduled care, the location of the facilities, the quality of care, and its price.

Such an initiative would vary considerably in cost depending on its structure. There are two major ways by which subsidies could be provided. One would be a center-based day care program supported by federal grants to states. Services might be similar to those provided in Title XX centers and subject to the FIDCR or similar federal regulations. Programs of this type might cost from $4 billion to $9 billion. For example, at the low end of the spectrum might be moderate-cost day care programs that would enroll all of those currently in Title XX and other center-based day care programs, a third of those now in nursery school, and a quarter of the three- and four-year-olds not currently enrolled in either. At the other end of the spectrum might be a universal preschool program operated through the public schools, staffed primarily by certificated teachers,

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1/ Estimates range from 2.2 million to 3.0 million; an average of 2.6 million was used here.

and used by a high proportion of three- and four-year-old children. Unlike some current preschool programs, services would be available on a full-day, full-week basis to accommodate working parents.

A second major mechanism would be a federal child care voucher. The primary objective of this form of support is to underwrite a variety of types of care, at the parents' discretion, while retaining some federal control over quality of care. In particular, a voucher could be utilized in a variety of family-based arrangements, which many parents prefer to center care. Proponents of voucher plans are quick to point out, however, that care subsidized through vouchers would be licensed and subject to federal or state health and safety standards.

Although no specific proposal has been advanced, a voucher program for child care would involve substantial administrative expenses. Some governmental agency would be responsible for processing applications and distributing vouchers, and considerably more licensing inspectors would be required than are at present. Caregivers, in particular, would have to alter their current practices in order to be eligible to accept federally financed vouchers. Most family caregivers are not licensed and many do not pay themselves the equivalent of the minimum wage, two likely federal requirements. A large portion of these caregivers may be unwilling to subject themselves to governmental control (many, indeed, would be ineligible for subsidies) in return for the potential for some increase in revenues. In addition, a modified version of the current child care tax credit could accomplish many of the goals of a voucher scheme, but without either the benefits or the drawbacks of governmental regulation.

Regardless of the mechanism of support chosen, such an initiative could include a program of technical assistance for family caregivers and of referral and information for parents. Though no data exist on which to base an accurate estimate of the costs of these services if implemented nationwide, they would surely be far less expensive than the care itself.

The developmental effects of any federally supported program would depend considerably on the type of care chosen and the flexibility of the caregiver to meet the individual needs of the children. As mentioned earlier, researchers who have examined successful child care programs have cautioned against

the sole use of the school systems to provide care, citing their characteristic inability to adapt to the often unusual needs of preschoolers. They are also quick to point out, however, that poorly planned day care settings would be equally ineffective in meeting the developmental needs of the children.

The effects of widely available, inexpensive day care on the labor force participation of women is uncertain. On the one hand, few women appear to be prevented from seeking employment because they are unable to arrange some sort of child care, and most women do not now purchase the kinds of care current legislative proposals would finance. On the other hand, if economic considerations play a strong role in the preference for informal care, and if federal support were to reduce substantially the costs of center-based day care for most families, women might be more willing to utilize these services in order to accept employment or to work for longer hours than at present. But again, there is no way to estimate accurately the magnitude of these effects, if any.

Before- and After-School Care

About one-third of the 44 million school-age children in the United States have mothers who work full time. While many of them, particularly older children, are undoubtedly quite capable of caring for themselves during the afternoon until a parent arrives home from work, the remainder are the object of concern among some policymakers. At present, about 1.7 million of these children participate in some form of organized before- or after-school program, most of which amounts to supervised recreation. The remainder, however, are cared for in much the same way as younger children--for example, by relatives or in family day care homes.

What would it cost to expand organized before- and after-school care to all 6- to 13-year-old children of mothers who would like to work (or to all those, working or not, who might want to participate)? If all of those whose mothers are currently employed full time were to be looked after, such a program would cost around $3.0 billion. More realistically, though, this service might be utilized by far more children. If all of those whose mothers currently work full time and half of those whose mothers do not were to participate, costs might range as high as $6.5 billion. Some mothers might be encouraged to enter the

labor force as a result of such a program, though no data exist that would allow an accurate estimate. Developmental effects would not be the major focus of this effort.

EFFECTS OF THE ADMINISTRATION'S WELFARE REFORM PROPOSAL

The Administration's welfare reform proposal is designed, in part, to minimize its impact on the child care market and, in particular, on federal social service child care expenditures. 2/ Because no one in need of child care would be required to work, only those who volunteer to work would affect total demand for child care services. Despite this design, a considerable amount of voluntary work effort might occur among those not required to work and consequently a large number of children might need care. This effect could be counteracted by a change in the treatment of work expense in the computation of benefits.

Increased Demand for Child Care

The Administration assumes that about half of those single parents involved in some aspect of the welfare program with children under six years old will be working during the year. Among those who do not already have a job or whose current job pays less than a subsidized public service job, about 38 percent are expected to apply for and receive employment. These assumptions seem exceedingly high in view of recent experience in the AFDC and WIN programs. Although these programs differ substantially from the proposed welfare and jobs system, they can provide insight into the likely effects of the reform scheme. In May 1975, only 16 percent of the AFDC mothers were employed and another 10 percent were registered for WIN but were unemployed.

Consequently, estimates of the impact of the proposal on child care derived from the Administration's estimation model are likely to be considerably overstated. Using the Administration's assumptions, about 1 million children under six years old

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2/ For a more comprehensive discussion of the Administration's proposal, see Congressional Budget Office, The Administration's Welfare Reform Proposal: An Analysis of the Program for Better Jobs and Income, Budget Issue Paper (April 1978).

in single-parent families would find their parents volunteering for and receiving public service employment in a given year. Further, the Administration assumes that the parents of these children would be in the labor force during the entire year, but only in need of a public service job during part of the year. If, however, the AFDC/WIN experience is a more accurate predictor of what might be expected under the proposal, about half as many children would need care.

In either case, the impact of these children on the formal day care market would likely be small. If the newly employed single parents chose the various types of care in the same proportions as those who currently are substantial users (and if none of the cost or subsidy arrangements were altered), between 15 and 25 percent could be expected to use day care centers or licensed family day care homes. If all these children were enrolled in subsidized nonprofit day care centers (the most expensive situation), the additional public expenses would amount to between $150 and $500 million, depending on which estimate of the number of children is used. These amounts are far less than the savings to the states anticipated by the Administration upon adoption of its welfare reform proposal. If the Title XX program were expanded to accommodate these additional children, 25 percent of the associated costs would be borne by the states and 75 percent by the federal government.

Change in the Treatment of Child Care Expenses

The Administration also proposes to change the manner in which child care expenses are treated in the computation of benefits. Under the proposed program, child care expenses would be deducted in full from income before welfare benefits are calculated. It is sometimes assumed that such treatment is equivalent to the current full reimbursement under the AFDC program or would substitute for free care when none is provided by the state. Because of the way in which benefits would be calculated, however, those receiving directly subsidized child care will always be better off than those who must secure care on their own and then receive a subsidy through the proposed welfare system.

The hypothetical cases shown in Table 17 illustrate the situation. In the first instance, a welfare mother receives fully subsidized child care, perhaps through Title XX or another

social service program, in order to enable her to work. Because she has no out-of-pocket expenses, none of this care is reflected in the computation of her welfare benefits. In the case of the second mother, for whom free child care is not available, the amount of money she pays out in child care expenses is deducted from her earnings before her welfare benefits are computed.

TABLE 17. HYPOTHETICAL EXAMPLES OF THE EFFECTS OF CHILD CARE EXPENSE ALLOWANCES ON WELFARE BENEFITS OF A SINGLE MOTHER UNDER THE ADMINISTRATION'S WELFARE REFORM PROPOSAL: IN DOLLARS

	No Direct Child Care Expenses (1)	With Child Care Expenses (2)	Difference (1) - (2)
Earnings	5,000	5,000	
Child Care Expenses	0	-1,000	1,000
Net Earnings	5,000	4,000	
Basic Welfare Benefit	4,000	4,000	
Reduction for Earned Income (at 50 percent of net earnings)	-2,500	-2,000	- 500
Net Assistance	1,500	2,000	
Net Total (earnings plus assistance)	6,500	6,000	- 500

NOTE: The welfare benefits and the percent reduction in benefits for earnings that appear here are purely hypothetical. Actual benefits and earnings reductions may vary considerably by state.

Because her benefits are then reduced by some proportion of her net earnings (which implicitly include her child care expenses), only a portion of the costs of care for her children will be subsidized. In the example, if the "tax" on earnings is 50 percent, she will be reimbursed for only half of her expenses. Because of this treatment of expenses, welfare mothers who must use this method of securing child care subsidies can receive proportionately less assistance than moderate- and even middle-income families who receive subsidized care through the Title XX program.

At present, many states are under considerable pressure to expand their child care and other social services programs which, when funded through Title XX, are 75 percent subsidized by federal funds. Under the current system, some have found that, by forcing AFDC mothers to utilize the work expense deductions to underwrite their child care needs, they can free up social service funds for use in other areas, eliminate the need to provide care that must meet the federal day care standards, and transfer the costs of child care to the recipients and to a source of funds that does not have a ceiling (and that is also heavily subsidized by the federal government). In some states that have adopted such a policy, AFDC mothers have moved their children to less expensive forms of care and reduced the number of hours their children are in care. Two factors appear to play an important role in this change: because expenses are reimbursed, few families have the cash necessary to secure high-priced care; and welfare mothers are often unfamiliar with the variety of sources of care available.

This effect--a reduction in hours and quality of care received--would be exacerbated by the Administration's proposal. First, those mothers who currently receive reimbursements for work-related child care expenses would find their subsidies cut in half. And second, if increases in demand for child care materialized, states might find it increasingly attractive to adopt a policy of utilizing the work expense allowance instead of providing care directly through an already limited source of funds, Title XX.